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# Northern Indiana Public Service Company

## Preparation for Summer 2008

Presentation to Indiana Utility Regulatory Commission

June 3, 2008



## ***Overview of Presentation***

- 2007 Experience
- Summer 2008 Capacity and Energy Needs
- Preparation for Summer 2008
- Price Volatility Challenge
- Environmental Status



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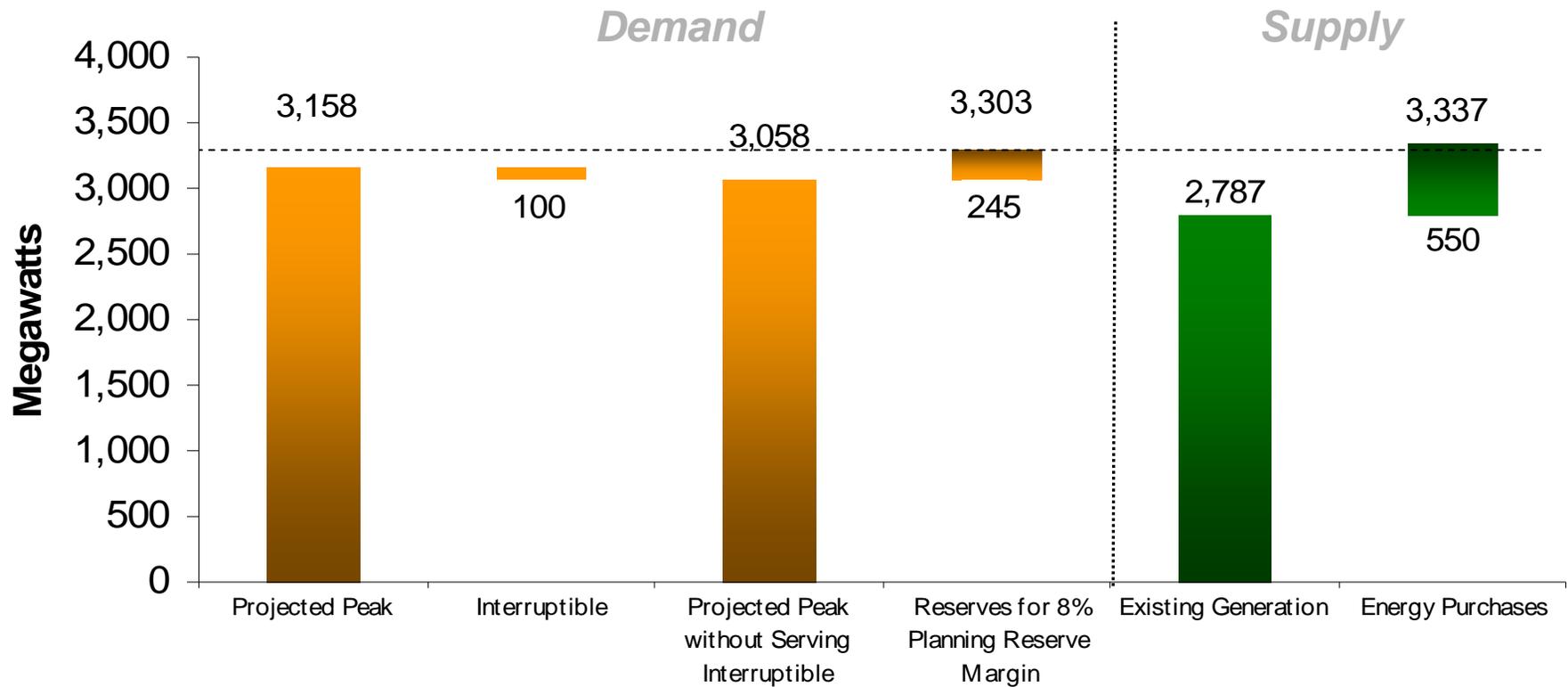


## 2007 Experience

- Supply/Demand
- Generation
  - EFOR Challenges
- Transmission
  - RMSGS transformer failure (7/10)
  - Tower Failure (8/15)



# 2007 Planned Supply/Demand Balance Weather Normalized

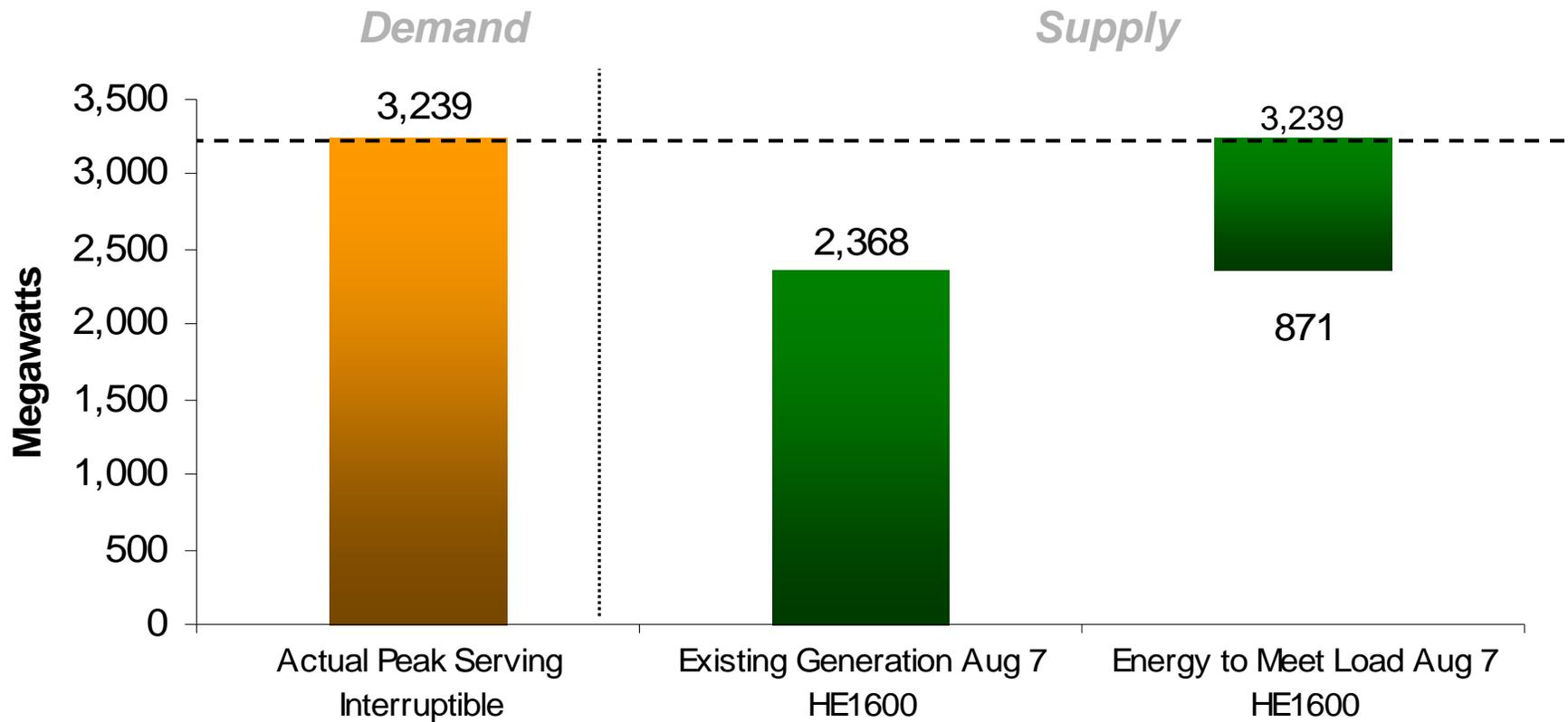


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2007 Experience

# 2007 Actual Supply/Demand Balance

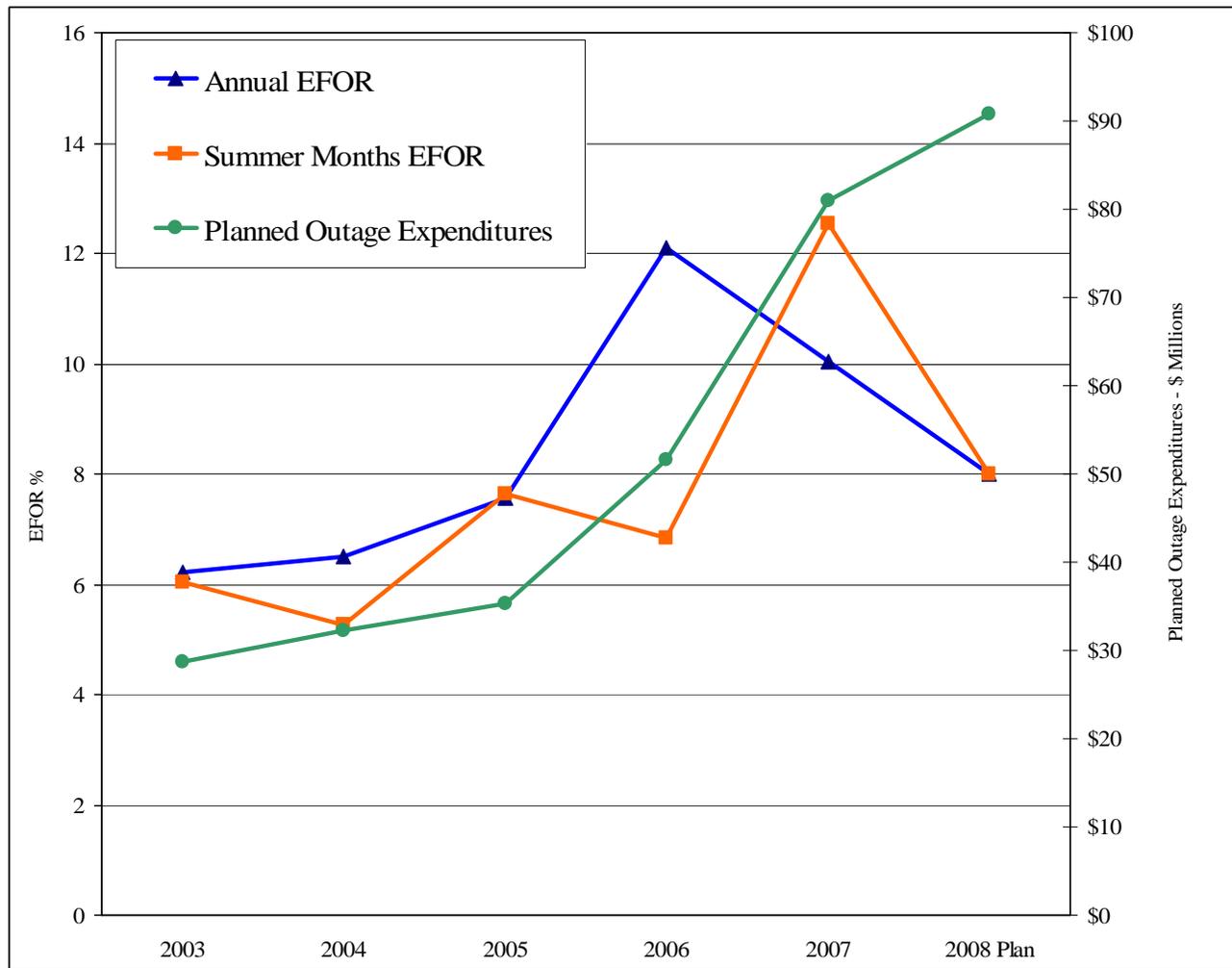
## Actual Weather Aug 7, 2007 91°F HE1600



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2007 Experience

# Steam System EFOR

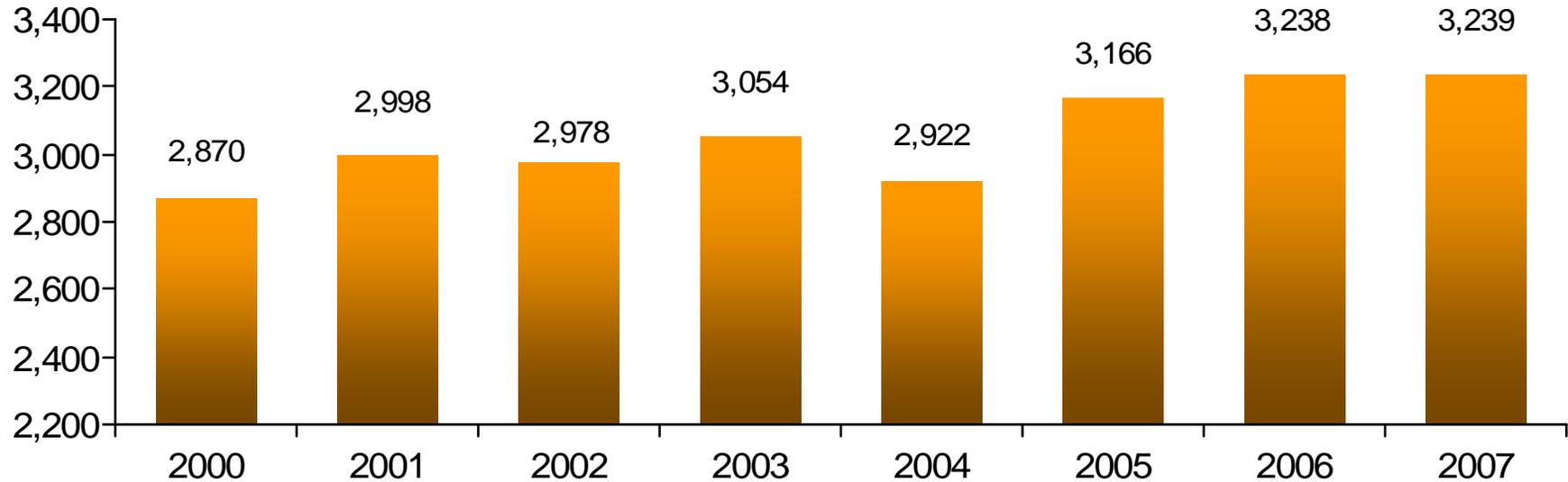


2007 Experience



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# Actual Electric Peak Demand (MWs)



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2007 Experience



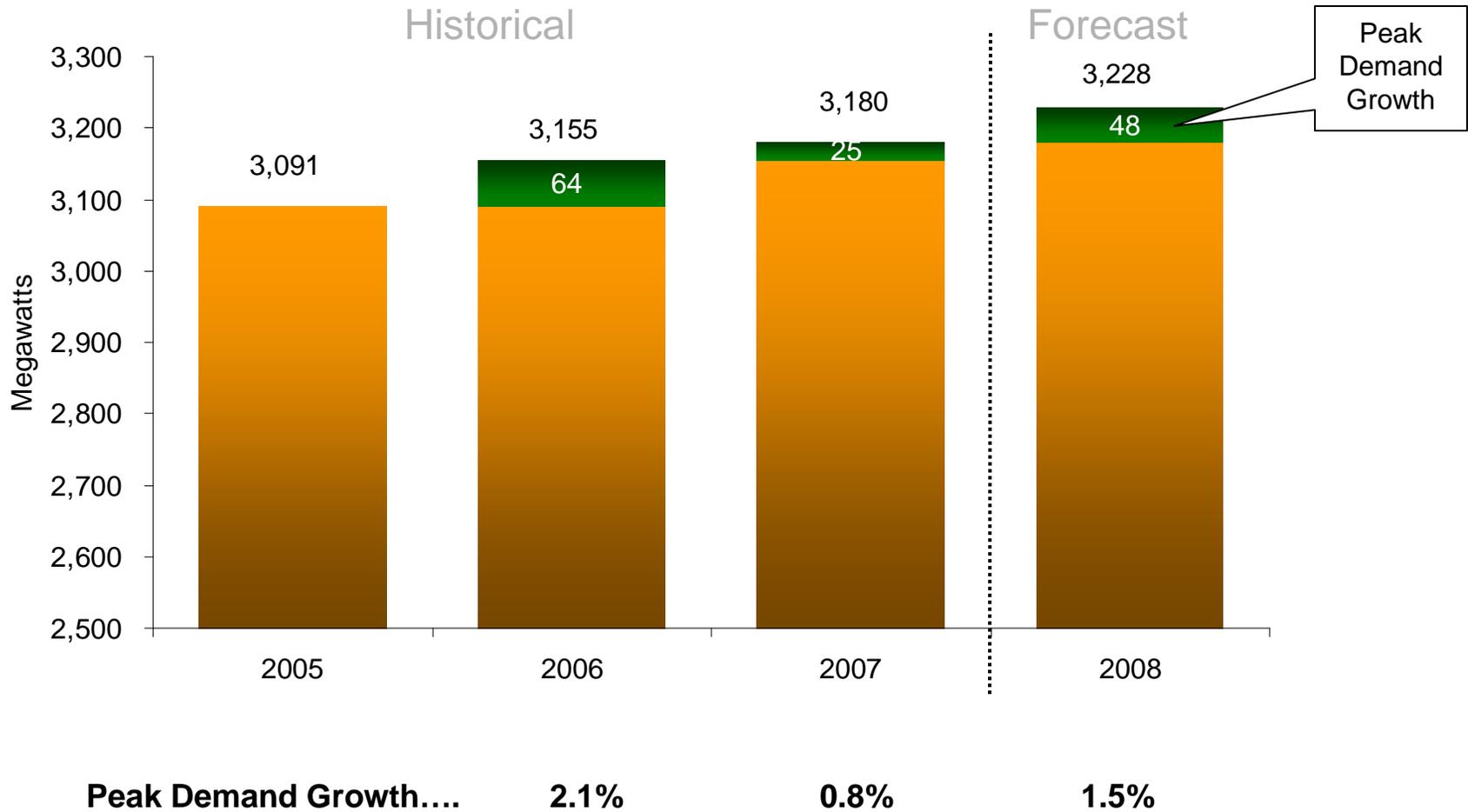
# ***Summer 2008 Capacity & Energy Needs***

- Peak Demand – Historical/Forecast
- Supply/Demand Balance



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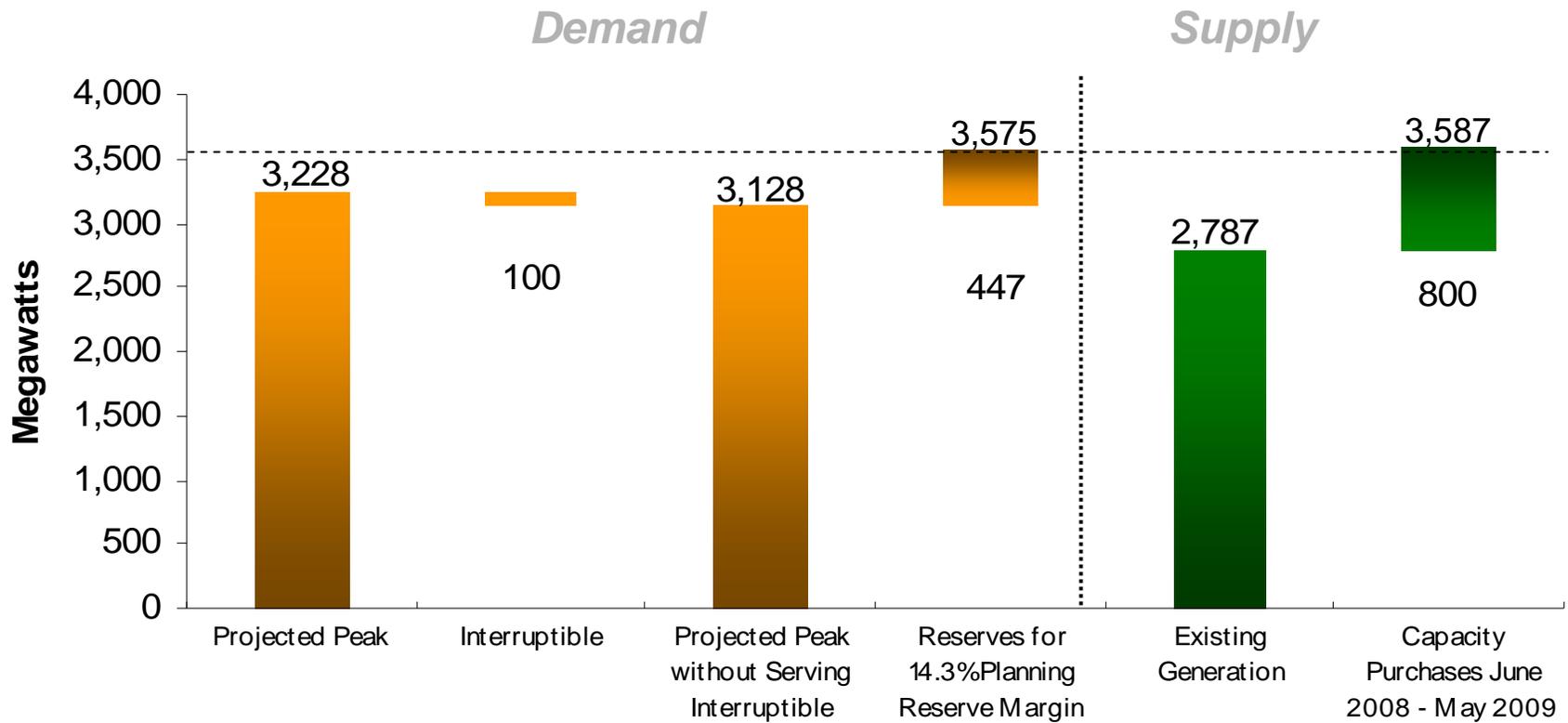
# 2008 Peak Load Demand Forecast Weather-Normalized



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Summer 2008 Capacity & Energy Needs

# 2008 Supply/Demand Balance Weather Normalized



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Summer 2008 Capacity & Energy Needs



## Key Elements for Summer 2008 Plan

- Capacity Purchased
- Generation Reliability
  - EFOR
- Strong Transmission System
- Distribution Tree Trimming
- Storm Response



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# Generation System

- NIPSCO's Planning Reserve requirements is 14.3% for June 1, 2008 through May 31, 2009.
- NIPSCO has purchased 800 MW's of capacity for June 1, 2008 through May 31, 2009 from seven suppliers. These capacity purchases point to specific generation units to meet MISO requirements. MISO will be able to commit and dispatch these MW's to cover the energy needs of the MISO marketplace. NIPSCO will purchase energy from the MISO day-ahead and MISO real-time balancing market as needed. The cost to NIPSCO's customers will be limited by the IURC approved Benchmark.



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# Generation System

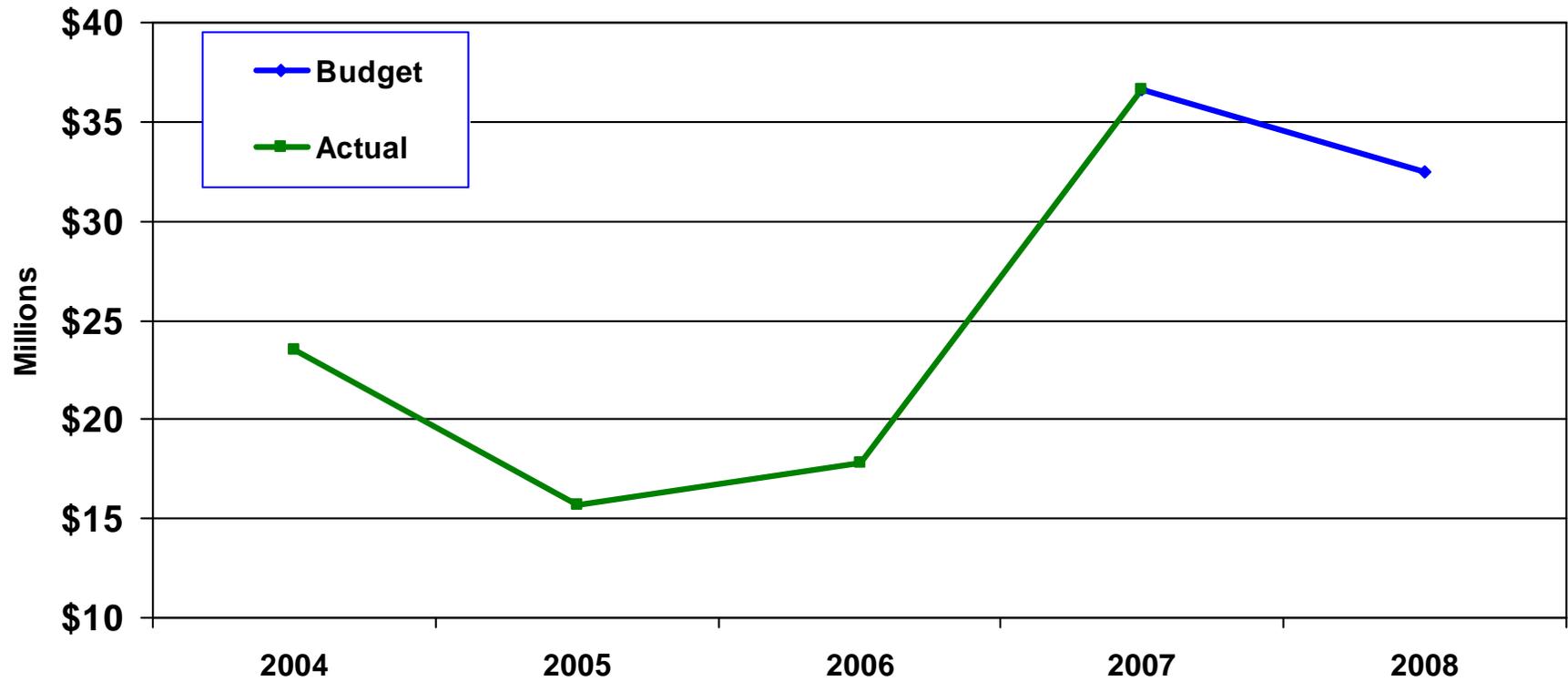
- All generating units are scheduled to be available from June 1st through September 12<sup>th</sup>, except for unit 16A, which will be available by June 15
- We performed over 30 weeks of planned maintenance outages since last summer
- Major planned outages were performed on units 7 & 12 to increase their reliability

# Transmission System

- \$32.5 million in long-term transmission investments for load growth and system enhancements
  - Upgraded capacity on Reynolds transformer, the LaGrange #1 transformer and the Dune Acres #1 transformer
  - Replaced five 345kV and four 138kV circuit breakers with upgraded SF<sub>6</sub> breakers
  - Modernized six 345kV and six 138kV line terminals with upgraded protective relaying
  - Added one 138kV and four 69kV capacitor banks to improve system voltage
  - Replaced five 69kV and two 34.5kV breakers
  - Public Improvements Line Relocates
- Emergency / storm related repairs
  - Four and one half miles double circuit 345kV tower line - \$4.5M
  - One 345kV / 138kV transformer at RMSGS - \$6.2M



# Electric Transmission Capital Expenditures 2004-2008



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## ***Distribution System***

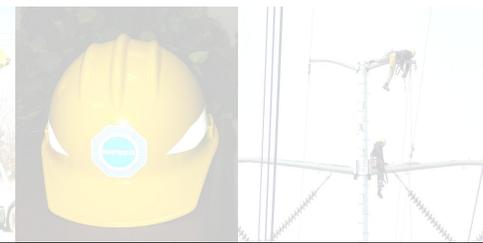
- Strengthened distribution system capacity in key growth areas through substation additions and line re-conductors
  - Southern Lake County
  - Northern Porter County
  - La Porte County
- Increased tree trimming activity by 20% over 2007 levels
- Improved storm response capabilities
  - Pre-planning for restoration resources when adverse weather is anticipated
  - Ongoing early replacements for retiring linemen



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# Managing Commodity Price Volatility



| Commodity   | 2005    | 2006    | 2007    | 2008<br>Thru<br>April 30 |
|---|---------|---------|---------|--------------------------|
| Spot Prices for small amounts of Natural Gas delivered (\$/MMBtu) | \$9.02  | \$8.99  | \$7.38  | \$9.65                   |
| PRB (\$/Ton delivered)  | \$22.12 | \$29.60 | \$32.90 | \$33.56                  |
| Illinois Basin (\$/Ton delivered)                                 | \$35.59 | \$38.45 | \$38.84 | \$42.50                  |
| Pittsburgh 8 (\$/Ton delivered)                                   | \$45.61 | \$44.70 | \$51.98 | \$61.14                  |
| SO <sub>2</sub> Allowance (\$/Ton)                                | \$835   | \$824   | \$516   | \$352                    |
| NO <sub>x</sub> Allowance (\$/Ton)                                | \$2,608 | \$2,075 | \$749   | \$752                    |
| Average Purchased Power Price                                     | \$69.37 | \$56.40 | \$57.54 | \$57.75                  |



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## Price Volatility Challenge



## Environmental Status

- SO<sub>2</sub> - Four units are equipped with Wet Limestone Flue Gas Desulfurization (FGD) systems to remove SO<sub>2</sub> (Units 7, 8, 17 & 18). This represents 47% of our coal fired unit capacity. These four FGD scrubbers will continue to operate year round.
- NO<sub>x</sub> - Four units are equipped with Selective Catalytic Reduction (SCR) systems to remove NO<sub>x</sub> (Units 7, 8, 12 & 14). This represents 54% of our coal fired unit capacity. All four SCR's will be operating this summer during the NO<sub>x</sub> season.



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## ***Conclusion***

- NIPSCO has adequate resources and infrastructure to meet our customers' needs during summer 2008



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